

CHAPTER 6 — CONTRIBUTION RATES

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600 Introduction

The ETF Board approves WRS contribution rates annually. The new rates are announced approximately six months prior to their effective date and are based on recommendations of the consulting actuary for the benefit levels in effect. Each contribution category is valued separately. Contribution rate changes are considered normal for systems that prefund retirement benefits. Annuity benefits are not affected by these rate changes.

Under Wis. Stat. § 40.05, WRS contribution rate changes are distributed evenly between the employer and employee. Employers who have elected to increase prior service coverage or pay off their unfunded liability balances may also experience a change in their prior service rates. Rates are mailed each year with an *Employer Bulletin* and can be inserted at the end of this chapter.

601 Employer Contribution Rates

The employer contribution rates for each of the categories are made up of:

A. Current Service Costs

Current service costs are set annually based on an actuarial valuation.

B. Unfunded Actuarial Accrued Liability (UAAL)

Unfunded Actuarial Accrued Liability (also known as Prior Service Liability) is the cost of providing benefits for service credit earned prior to an employer joining the WRS, or for providing benefit improvements based on service credit earned prior to the effective date of certain major benefit legislative changes.

Monthly retirement contribution rates include a small component for prior service liability (one or two percent for most employers). Each month retirement contributions are made, you are also making a payment toward your prior service liability.

Employers have the option of paying off their liability faster, thereby minimizing future interest charges. Employers can pay off the entire liability in a single payment, or make payments larger than the required amounts. ETF will develop a customized payment plan if you are interested in paying off your liability early.

UAAL prior service contribution rates are set individually for each participating employer based on the employer's outstanding unfunded liability balance. The liability is amortized over 40 years beginning January 1, 1986 or the employer's participation effective date, whichever is later.

ETF provides an optional UAAL calculator on the Internet to assist employers in projecting their UAAL amortization schedule. The UAAL Calculator projects the employer prior service payments and interest using the current Actuarial Assumptions of the WRS for the 7.8% interest rate and for the salary increase rate (currently set at 4.1%). Using these assumptions, the calculator produces a schedule that projects employer payments and interest through the year 2029. This calculator is found on ETF's Web site at <http://etf.wi.gov> in the "Employers" section.

C. Duty Disability Costs

Duty Disability costs are applicable to protective employment category employees as defined in Wis. Stat. § 40.02 (48)(c).

The Duty Disability contribution rates are individually experience-rated for each participating employer. Contribution rates paid by an employer are directly related to the number and amount of claims filed by each employer's participants.

The definition of protective occupation participants, for this purpose only, is broader than for other benefit purposes in that any state employee whose duties involve supervision or discipline of inmates at a state penal institution is included in the duty disability provision.

D. Sick Leave Conversion Costs (State Agencies Only)

These contributions pay for conversion of unused sick leave to health insurance premiums for retired state employees. Annual increases cannot exceed two-percent. ETF's board sets sick leave conversion costs based on the actuary's recommendation.

602 Employee-Required Contribution Rates

The Employee-Required Contribution rates are established in Wis. Stat. § 40.05 (1). The employer may pay all or a portion of the employee-required contribution.

603 Benefit Adjustment Contribution

The Benefit Adjustment Contribution (BAC) was enacted by legislation in 1984 to fund improved retirement benefits for career public employees in the WRS as established in Wis. Stat. § 40.05 (2m). It is paid by employees unless the employer agrees to pay all or a portion of the contribution. The BAC is not credited to the employee's WRS account but is used to fund overall system benefit liabilities.

604 Description of Contribution Rates

WRS contribution rates are reviewed annually and may change based on actuarial assumptions and recommendations.

DESCRIPTION OF CONTRIBUTION RATES FOR YEAR 2005

Employee Required Contribution (may be paid by employer)

5.0%	General, including Teachers and Educational Support Personnel
2.8%	Judges, Elected Officials and State Executive Positions Designated in §20.923 (4), (8), or (9)
4.9%	Protective with Social Security
3.3%	Protective without Social Security

Employee Benefit Adjustment Contribution (may be paid by employer)

0.8%	General, including Teachers and Educational Support Personnel
0.0%	Judges, Elected Officials and State Executive Positions Designated in §20.923 (4), (8), or (9)
0.0%	Protective with Social Security
0.0%	Protective without Social Security

Employer Required Contributions - Current Service (must be paid by employer)

4.4%	General, including Teachers and Educational Support Personnel
8.3%	Judges, Elected Officials and State Executive Positions Designated in §20.923 (4), (8), or (9)
8.0%	Protective with Social Security
10.7%	Protective without Social Security

Employer Required Contributions - Unfunded Actuarial Liability (must be paid by employer)

Same rate as 2004 unless employer elected to provide increased prior service coverage or paid off liability at an accelerated rate. Notification of any change for individual employers will be sent at a later date.

Employer Duty Disability Contribution (must be paid by employer)

Effective January 1, 2005, the experience-rated duty disability contribution rate schedule will remain the same as 2004 and will be determined as listed below:

1.9%	Groups with claims pay out of less than or equal to 0.5% of payroll.
2.4%	Groups with one claim in which the pay out is more than 0.5%, and groups with two or more claims in which the pay out is more than 0.5%, but less than 1.0% of payroll.
3.6%	Groups with two or more claims in which the pay out is more than 1.0%, but less than 2.0% of payroll.
5.4%	Groups with two or more claims in which the pay out is more than 2.0%, but less than 3.0% of payroll.
6.6%	Groups with two or more claims in which the pay out exceeds 3.0% of payroll.
Over 6.6%	Groups with two or more claims in which new claims added in 2000 and later make pay out exceed 6.6% of payroll. Rate will be 6.6% plus one-half of new claims over 6.6%.

Employer Accumulated Sick Leave Conversion Credit Contributions (must be paid by employer)

This rate applies to state agencies only. Effective January 1, 2005, the contribution rate for pre-funded sick leave conversion to fund health insurance premiums after retirement is .9% for state agencies paying off their unfunded liability. Those agencies with unfunded liability balances will have varying sick leave rates. The pre-funded supplemental rate is .5%, bringing the total contribution rate to 1.4%.